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Girls' tip led to probe by IRS

Agent testifies Rewald owes \$1.8 million

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In 1982, two Hawai Kai girls noticed that the children of Ronald Rewald were arriving at school events in chauffeured Rolls-Royce limousines.

The two girls went home and told their father.

The girls' father was Joseph A. Camplone, a veteran special agent of the Internal Revenue Service's criminal investigation division.

The tip from the agent's daughters set in motion an investigation which culminated yesterday in federal court with testimony that Rewald owes \$1.8 million in taxes on unreported income from 1979 to 1982.

Another IRS employee, revenue agent Richard Yamamoto, showed the jury yesterday how he calculated Rewald's taxes by counting up the dollars that witnesses have said were spent by Rewald on houses, polo ponies, cars, ranches, women and personal expenses.

From those figures alone, Yamamoto said, it is clear Rewald spent more than \$2.5 million on himself and others in the four years.

The prosecution's fraud, tax and perjury case against Rewald, expected to end yesterday, will spill over into its ninth week Tuesday with bankruptcy official Thomas Hayes as the wind-up government witness on the collapse of Bishop Baldwin Rewald Dillingham & Wong.

The tax investigation was completed despite Rewald's successful effort to persuade the Central Intelligence Agency to block it, at least temporarily, IRS special agent Camplone testified yesterday.

Camplone said that after hearing about the Rewald lifestyle from his daughters, and noticing the Rolls and other expensive cars parked outside of Rewald's Kalaniana'ole Highway home, he asked the Fresno Service Center to send him Rewald's recent tax returns.

The 1979 return, Camplone found, showed Rewald claimed to have a net loss of \$11,775, and paid no taxes. In 1980, Rewald reported gross income of \$8,438, with deductions of \$38,329, and again paid no taxes.

Something, Camplone decided, was wrong.

Camplone knocked on the door of Rewald's waterfront mansion the evening of Nov. 16, 1982, showed Rewald his badge and told him he was investigating a possible criminal violation of income tax laws.

Camplone recalled Rewald saying, "Oh, my gosh, what's this about? I was audited" already.

When Camplone visited the offices of Rewald's company to subpoena some corporate records on Jan. 17, 1983, he said, Rewald spotted him, called him into his office, and made a curious telephone call.

"He starts with the telephone and says, 'Look up the number of the CIA office,'" Camplone recalled. "I looked at my partner — I don't know what's going on." But Camplone looked up the number, and, at Rewald's instruction, dialed it, listened to the voice that answered, and then hung up.

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Then Rewald told him, Camplone said, "Watch the first four numbers that I dial, then look away." I said, OK, I'll play the game." When the telephone rang, Rewald put it to Camplone's ear and let him listen to the voice, then took the telephone back and began talking to "Jack," saying the IRS was there, that "we have to resolve this soon, they know about the one corporation but not about the others, it's not your fault, Jack." The "Jack" is believed to have been Jack Rardin, then chief of the CIA's overt domestic office in Honolulu.

Camplone, who said the voices he heard in the two telephone calls were similar, said he told Rewald he still wanted to see the subpoenaed material by Jan. 28, despite Rewald's plea that he "hold off" until mid-February so the CIA could intervene.

Then, sometime in the last week of January, Camplone said, his supervisor told him to suspend the investigation. Camplone said he wasn't given a reason, but assumed it had something to do with Rewald's CIA claims.

"About two and one-half weeks later, on Feb. 7, I got a call from the district director, who asked me to come down to his office," Camplone said.

There, he said, he met IRS District Director Harold Browning and two CIA officials: John Higgins, a "covert cover service representative of the CIA," and William Allard, a CIA attorney.

The CIA has acknowledged that it reimbursed Rewald \$2,900 for telex and telephone expenses for two companies that its personnel could use as "backstop" cover while masquerading as businessmen, and stationery of a third company to be used by CIA officer Charles Richardson as cover.

Camplone said the officials told him they "would be interested if we uncovered large sums of money transacted between their companies or operatives."

The day after the meeting, Camplone said, he resumed his investigation because there was never a reason to stop it in the first place.

"We went through the normal routine, the processes. Whatever turned up, turned up," he said.

During the investigation, Camplone said, Rewald told him in interviews that money was going to come from the CIA, and that he hadn't filed returns for \$100,000 in income in 1981 and \$240,000 in 1982 because "he was awaiting instructions from the CIA as to what he should do."

Investigation showed, Camplone said, that Rewald got most of his money from investors and only \$2,900 from the CIA. And, Camplone said, CIA officials told him they would never instruct Rewald to delay filing his tax returns.